

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SS-20 L-03 EB-11 IGA-02 SWF-02 RSC-01

AID-20 AGR-20 CIAE-00 INR-11 NSAE-00 NSC-07 H-03

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DRAFTED BY ARA-LA/APU:PMFAUCETT:MMG

APPROVED BY ARA:JBKUBISCH

AA/LA:HKLEINE

ARA-LA/APU:FVORTIZ

LA/DR:RBREEN

ARA:WGBOWDLER

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P 201619Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION PRIORITY

C O N F I D E N T I A L STATE 157984

E.O. 11652:GDS

TAGS: EAID, PA

SUBJECT- SMALL FARMER DEVELOPMENT LOAN

REF: ASUNCION 2715

FOR THE AMBASSADOR FROM ASSISTANT SECRETARY KUBISCH

1. I APPRECIATE VERY MUCH YOUR FRANK AND THOUGHTFUL  
TELEGRAM CONCERNING THE PROPOSED SMALL FARMER CREDIT LOAN

I HAVE DISCUSSED THIS MATTER WITH SENIOR  
OFFICIALS IN AID. UNFORTUNATELY, IN SPITE OF A CAREFUL  
REVIEW OF THE SITUATION, WE STILL HAVE NOT BEEN ABLE TO  
SOLVE THE PROBLEM PRESENTED BY THE PROPOSAL TO FINANCE  
COTTON AND TOBACCO THROUGH THIS LOAN. AT THE PRESENT  
TIME, AID IS NOT MAKING NEW LOANS TO FINANCE THESE  
COMMODITIES. THE REVIEW IS BEING CONTINUED, HOWEVER, TO  
ASCERTAIN THE POSSIBILITY OF DEVELOPING A PROJECT WHICH  
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WOULD NOT INCLUDE THE FINANCING OF THESE CROPS. IN CON-

NECTION WITH THIS REVIEW, WE VERY MUCH NEED ADDITIONAL INFORMATION CONCERNING WHAT OTHER FARM PRODUCTS MIGHT MAKE SENSE. IF YOU CONCUR, THEREFORE, WE WOULD PLAN TO SEND TO PARAGUAY A TEAM OF APPROPRIATE EXPERTS TO EXPLORE THE POSSIBILITY OF FINANCING PRODUCTS WHICH WOULD BE ACCEPTABLE ALTERNATIVES TO COTTON AND TOBACCO. WE HOPE TO BE ABLE TO FIELD SUCH A TEAM, WHICH WOULD SPEND ABOUT THREE WEEKS IN PARAGUAY, BEGINNING ABOUT AUGUST 1. TENTATIVELY, IT WOULD CONSIST OF THE FOLLOWING: CHARLES BREITENBACH OF LA/DR WHO HAS ALREADY MADE A STUDY OF THE SMALL FARMER IN PARAGUAY FOR THE MISSION; MICHAEL DEMETRE LA/DR ECONOMIST AND LEE WHITE, MANAGEMENT EXPERT; AND RICHARD MAGLEBY FROM USDA. IN THE INTERVAL, BEFORE THEIR ARRIVAL WE WOULD HOPE THAT APPROPRIATE PERSONNEL IN THE MISSION WOULD BE DEVELOPING THEIR OWN SUGGESTIONS FOR ALTERNATIVES AND ADVISE US ACCORDINGLY SO THAT THE TEAM'S PRE-VISIT PLANNING WILL BE CONSONANT WITH MISSION'S LATEST APPROACHES.

2. IN THE MEANTIME, YOU MAY INFORM THE GOP OF OUR PROBLEMS WITH A LOAN WHICH FINANCES NON-EDIBLE CROPS SUCH AS COTTON AND TOBACCO AND OF THE EFFORTS MENTIONED IN THIS TELEGRAM TO RESTRUCTURE THE SMALL FARMER DEVELOPMENT LOAN SO THAT IT WILL BE BOTH USEFUL AND VIABLE. INGERSOLL

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